

Opening Statement
Chairman Michael G. Oxley
Financial Services Committee

**Subcommittee on Capital Markets, Insurance and Government Sponsored
Enterprises**

**“Working with State Regulators to Increase Insurance Choices for
Consumers”**

Wednesday, March 31, 2004

Let me begin by thanking Subcommittee Chairman Richard Baker and Oversight and Investigations Subcommittee Chairman Sue Kelly for holding between them 14 hearings and roundtables over the last three years on the need for insurance reform. Your hard work and Chairman Baker’s commitment to increasing competition and effective oversight for insurance consumers created the foundation we are building on today.

In addition, I want to recognize one of the real leaders of our time, our first witness and President of the NAIC, Ernie Csiszar. President Csiszar has served with bipartisan distinction for both Democrat and Republican governors in South Carolina, and has worked closely with our Committee in forging some central goals and concepts for improving insurance regulation.

Too often the legislative process gets bogged down in turf protection, partisanship, and political conflict avoidance. Rare is the leader who can overcome self-interest and the status-quo, and help create the opportunity for change to achieve a greater good.

I also want to thank New York commissioner Greg Serio and past NAIC President Mike Pickens who have also been of enormous assistance in working together to build the foundation for a consensus middle ground approach to reforming insurance regulation. All three leaders have been steadfast advocates of retaining the strengths of state-based insurance oversight, and have helped us think through alternatives to Federal regulation as we forge a path towards uniformity. I also want to recognize and thank Mike Kreidler, the insurance commissioner from Washington.

Achieving uniformity will not be easy. At the first meeting of the NAIC, the New York insurance commissioner and founder of the NAIC, George W. Miller, stated, “The commissioners are now fully prepared to go before their various legislative committees with recommendations for a system of insurance law which shall be the same in all States, not reciprocal but identical, not retaliatory, but uniform.” That was in 1871, six years after the Civil War ended.

Since then, the NAIC has testified before this Committee and its predecessors numerous times that we are almost there, that new programs have been developed,

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new models agreed to, and in just a few more years we'll be closer to the elusive goal of uniformity promised back 133 years ago.

As a former State legislator and member of NCOIL, I have been one of the strongest proponents of the NAIC and its efforts. But as we have demonstrated throughout the 14 hearings in this Committee over the past three years and the numerous hearings held previously in the old Commerce and Banking Committees, the States cannot get the job done by themselves. The collective action barrier to getting 56 State legislatures and regulators to act in complete unison is, and will always be, insurmountable, absent Congressional legislation.

Representatives Sue Kelly, Richard Baker, other senior Members of this Committee and I worked together during Gramm-Leach-Bliley legislation to establish what is now referred to as NARAB -- a targeted State-based reform proposal enacted into law that required a majority of States to adopt reciprocal or uniform licensing regulations. NARAB has been an enormous success, and all but a handful of States have met the goal. Agents can now become licensed and sell insurance to their customers nationwide generally within one to three months with greatly reduced red tape and costs.

In contrast, company licensing takes a majority of the States over six months to review, with 17 percent of the States according to one study requiring more than two years to complete their reviews. While the NAIC has tried to create a uniform application form and coordinated process for company licensing, without a Congressional mandate, the effort suffers from incomplete participation, numerous deviations, and unenforced deadlines. We can do better. The success of NARAB can be a model for bringing the States closer to fulfilling their own goals.

After three years and 14 hearings we need to move from oversight to building legislation. But we are just beginning this process. Subcommittee Chairman Baker and I have offered some goals and general concepts for reform, but these are intended to be a starting point for discussion.

We want to strongly encourage Members on both sides of the aisle and our witnesses here today to fully participate and provide input in this early stage of working through a legislative approach. It won't be easy, and we have a few issues, such as the role of a State-Federal partnership to coordinate uniform insurance policy that still need to be worked out.

But we have the opportunity, like President Csiszar and Commissioner Serio, to demonstrate a commitment to leadership and accomplish something meaningful and lasting for consumers. I hope that you will all join us in this effort, so we won't have to wait another 133 years.

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